

TENNESSEE REGULATORY AUTHORITY

09/28/01

9:57 AM

Sara Kyle, Chairman
Lynn Greer, Director
Melvin Malone, Director



460 James Robertson Parkway
Nashville, Tennessee 37243-0505

September 28, 2001

Mr. Kevin Allen, Manager-Regulatory Affairs
VarTec Telecom, Inc.
1600 Viceroy Drive
Dallas, Texas 75235

RE: VarTec Telecom, Inc. (Docket No. 01-00760)

Dear Mr. Allen:

After reviewing your Company's data response dated 9/20/01, the Tennessee Regulatory Authority requests the following information regarding the application of VarTec Telecom, Inc. (hereafter "VarTec" or "Applicant") for a certificate to provide competing local telecommunications services within the State of Tennessee pursuant to TCA §65-4-201.

1. Please provide a copy of all cost allocation manuals and procedures that will be utilized for the prevention of cross subsidization between the Tennessee affiliates, i.e., distribution of salaries and expenses of shared officers and directors, or any other applicable costs.
2. Will the TEC ILECs in Tennessee be willing to impute earnings with revenue generated by VarTec as a non-regulated affiliate?
3. In TEC's opinion, is the VarTec relationship consistent with 47 CFR 64.1903? If so, how is it consistent?
4. In TEC's opinion, how would approval of VarTec's application affect the entry of local competition in the TEC ILEC territories in Tennessee?

Please submit the requested information by October 15, 2001. If your office may have any questions, please contact Darrell Whitis at (615) 741-2904 (ext. 132).

Sincerely,

A handwritten signature in black ink, appearing to read "David Waddell", is written over a horizontal line.

David Waddell
Executive Secretary

C: Docket File